Amendments to the Specification:

Please replace paragraph [4] with the following rewritten paragraph:

[4]   Object-based video encoding is different from traditional frame-based encoding, which

uses only one stream. Through storing or transmitting the decomposed video sequence,

~~significant savings in memory or bandwidth are achieved~~ over traditional framed-based encoding

in which each frame of the video sequence is stored or transmitted as a single stream. Additional

memory or bandwidth savings can be achieved by compressing the two streams of the

decomposed video sequence prior to storage or transmission. In addition to conventional

approaches for object-based video encoding, generation of the background composite and the

foreground regions is discussed in commonly-assigned U.S. Patent Application Nos. 09/472,162,

filed December 27, 1999, now abandoned, and 09/609,919, filed July 3, 2000, which issued as

U.S. Patent No. 6,738,424 on May 18, 2004, both of which are incorporated herein by reference.

Please replace paragraph [31] with the following rewritten paragraph:

[31]   Figure [[4]] 6 illustrates various aspects of editing a fixed-frame layer.

Please replace paragraph [76] with the following rewritten paragraph:

[76]   In block 41, one or more fade-in/fade-out parameters are modified for a camera-motion

layer. The fade-in/fade-out parameters are a combination of the on/off times from block [[37]]

39 and the opaqueness from block [[39]] 40. Examples of modifying fade-in/fade-out parameters

include the following: an object that slowly disappears; an object that rapidly appears; an object

that rapidly disappears then slowly reappears; an objects that slowly appears then slowly

disappears; and an object that is scene throughout the entire composite video sequence. As an

example, an advertisement on a billboard in a video scene can appear to fade in and fade out of

the composite modified video scene.